

Social Transition



Historical experience around the world has demonstrated that market-based democracy holds greatest potential for raising living standards and nurturing prosperity for the greatest number of people. However, while reforming, the countries of Central and Eastern Europe have experienced social difficulties in terms of increased poverty and income inequality, unsustainable social insurance systems, unemployment and labor market rigidities, and deteriorating health delivery systems. To mitigate these adverse social impacts, USAID has committed itself to supporting Bulgaria's social system reform.

Pension System Reform

Approach:

- Reform of existing public social security system
- Establishment of privately managed pension funds

Development of a Sound Pension System

USAID initiated its *Pension Reform Project* in 1998, in an effort to assist the establishment of a supplementary voluntarily private pension system, the so called "third pillar". Responding to the Bulgarian Government's request, the program has grown to include support for the creation of a mandatory private pension system (Pillar II) and reform of the public pay-as-you-go system (Pillar I). USAID involvement in the reform process started at the early stages of the reform design with the development of the Pension Reform Strategy and the overall legislative framework necessary for the introduction of a three-pillar social security system. Today, USAID assistance has moved from reform design to reform implementation, with a particular focus on the development of a

broad set of regulations governing the management and supervision of pension reform implementation.

USAID FACTS:

- \$5.4 million committed in support of Bulgaria's pension reform
- 9 pension management companies licensed to develop voluntary, universal, and occupational pension funds
- Policy support provided for drafting the Social Code and the Law on Supplementary Voluntary Pension Insurance
- The first Internet-based government universal fund registration application developed
- 1.5 million copies of informational brochures produced and distributed; 6 TV educational series broadcast on National TV; and a Pension Reform Call Center established.

Health Sector Financing Reform

Approach:

- Establishment of a sound legal and regulatory framework
- Building the institutional and investment management capacity necessary to ensure long-term sustainability of the National Health Insurance Fund (NHIF)
- Increasing public awareness and education

USAID/Bulgaria
Partners in Transition

Improved Access to and Quality of Healthcare Services

USAID assistance to the Bulgarian health system complements the Mission's activities in the area of social benefits reform by addressing specific elements of the healthcare reform in Bulgaria. Through its *Health Financing and Policy Reform Program*, the Agency assists the Bulgarian Government in improving the regulations and procedures facilitating the implementation of the reform strategy. The primary focus of the program is on building the institutional capacity of the National Health Insurance Fund in the areas of finance, asset management, information systems development, data management, claims processing and payment, as well as in establishing the methodology and criteria for hospital clinics privatization. An important element of the activity is the development and implementation of a comprehensive communications strategy and public education campaign as a way of promoting understanding, building public confidence, and generating support for the healthcare reform in Bulgaria.

USAID FACTS:

- \$2.5 million committed in support of health finance reform
- Over 400 hospital managers and NHIF employees trained on health reform issues
- 5 TV educational series broadcast on national TV

Employment Generation

Approach:

- Institutionalize a mechanism to finance small-scale municipal projects
- Focus on employment generation and social benefits

Increased Job Opportunities

Starting in 1999, USAID support for the *Regional Initiatives Fund* directly financed a number of micro-projects with municipalities

with high unemployment rates. This program also used funds from the World Bank and the Government of Bulgaria. Projects included renovations of public buildings (such as schools and social homes), road renovation, and construction and renovation of water supply and sewage systems. The structure and successes of this program lay the foundation for a larger Social Investment Fund which will be financed by a World Bank loan of up to \$100 million.

USAID FACTS:

- Over 150,000 beneficiaries of 66 micro-projects completed or in progress
- 1,062 jobs created
- 10% of project costs covered from municipal budgets

Human Capacity Development

Approach:

- Building the human capacity of indigenous USAID partner organizations
- Transferring knowledge, skills and attitudes to trainees across the USAID assistance spectrum
- Consolidating training outcomes by funding implementation of selected post-training proposal
- Developing human capital to ensure legacy and sustainability of the reform

Learning through Training

Initiated in 1993, the *Technical Training for Societies in Transition (TRANSIT) Program* provides an excellent opportunity for building the human capacity of a broad base of Bulgarian leaders and professionals by equipping them with the skills and practical knowledge necessary to support the democratic processes in Bulgaria, and promote free enterprise. The program is an important cross-cutting component of USAID's portfolio as it is closely interrelated

with all USAID activities. The individual short-term training programs expose the training participants to relevant U.S. and other third-country models that are tailored to the specific needs of the trainees, their institution, and the country environment. The recently introduced Small Grants component of the program provides competitive grants to TRANSIT beneficiaries to apply the skills and knowledge acquired during the training.

Academic Programs

The *East and Central Europe Scholarship Program (ECESP)* provides academic training to Bulgarian leaders, experts and administrators to enable them to better manage Bulgaria's transition to a market-based democracy. Since 1998, ECESP has been offering longer-term academic programs (up to one year) and short-term technical and qualification trainings to Bulgarian public officials at U.S. and third-country universities. The academic curricula includes programs in a variety of areas, including public administration; regional administration and management; educational reform; health reform strategies; care finance and insurance; risk management; economic transformation and conflict resolution.

USAID FACTS:

- 1,256 Bulgarian public and private officials trained under TRANSIT between 1993-2000
- 53 training programs conducted under TRANSIT in 2000
- Women constitute 47% of trainees in 1999 and 2000
- 50 Bulgarian public officials received long-term academic training at U.S. and other universities under ECESP